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FISCAL IMPACT STATEMENT

LS 6291

BILL NUMBER: SB 95

NOTE PREPARED: Jan 26, 2004

BILL AMENDED: Jan 15, 2004

SUBJECT: Merchant Power Plants.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR:

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a petitioner to receive siting approval from the Indiana Utility Regulatory Commission (IURC) before constructing a merchant power plant in Indiana. The bill allows the IURC to approve the plant if it will not be adverse to the interests of local residents and all Indiana citizens. The bill specifies factors that the IURC must consider in acting upon a siting petition. It requires proof that a petitioner has considered certain types of potential sites. The bill requires a petitioner to provide an assessment of the potential impact of the plant on its proposed water resource. It requires a petitioner to file certain financial instruments and an estimate of the expenses of decommissioning the plant. The bill requires the IURC to hold a public hearing upon each siting petition. It requires an approved plant to submit certain reports to the IURC. The bill also allows the IURC to revoke an approval if a plant does not operate as required. It also provides that information on a plant's fuel arrangements or electric sales is not a public record.

The bill requires the state utility forecasting group to conduct an annual study to assess the regional needs for and impacts of merchant power plants.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill gives the IURC approval authority over the construction and siting of new merchant power plants. The bill provides specific considerations that the IURC must consider in its approval; including the need for the plant, the location, the impact of the plant on state water supplies, and local plans and ordinances. While these provisions could potentially increase the administrative cost and workload of the IURC, it is presumed that any increase will be covered using available resources. (See *Background on IURC and OUCC Funding*, below.)

State Utility Forecasting Group: The bill expands the scope of the State Utility Forecasting Group to conduct an annual regional power market study on several issues related to merchant power plants. The State Utility Forecasting Group consists of Purdue and Indiana University faculty and staff. The group's activities are funded through the IURC.

Background on IURC and OUCC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2003, fees from the utilities and fines generated approximately \$10.9 M.

Background Information on Merchant Power Plants: As of September 2003, there were eight merchant-type power plants approved by the IURC operating in Indiana. Eight approved plants remain to be completed or cancelled. Only one additional plant is expected to become operational in 2003.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected: Local planning authorities.

Information Sources: 2003 *Electric Report to the Regulatory Flexibility Committee*, IURC.

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